

# State of California

Franchise Tax Board-Legislative Services Bureau  
PO Box 1468  
Sacramento, CA 95812-1468

Telephone: (916)845-4326  
ATSS: 468-4326  
FAX: (916)845-5472

## Legislative Change No.

**00-34**

Bill Number: AB 1843

Author: Ackerman

Chapter Number: 00-862

Laws Affecting Franchise Tax Board:

Revenue and Taxation Code Sections 17276, 17279.5, 18405, 18415, 18505, 18601, 18633.5, 18668, 19011, 19025, 19026, 19027, 19081, 19082, 19104, 19134, 19135, 19136, 19136.3, 19136.6, 19141.2, 19141.6, 19142, 19144, 19145, 19147, 19148, 19150, 19164, 19191, 19192, 19193, 19194, 19363, 19364, 19365, 19503, 19565, 21026, 23036, 23041, 23042, 23051.5, 23058, 23104, 23114, 23151, 23151.1, 23151.2, 23153, 23181, 23183, 23183.1, 23183.2, 23186, 23253, 23281, 23282, 23301, 23304.1, 23305.1, 23361, 23362, 23455, 23456, 23457, 23604, 23608, 23608.2, 23608.3, 23609, 23610, 23610.5, 23612.2, 23617, 23617.5, 23621, 23622.7, 23622.8, 23624, 23633, 23634, 23636, 23637, 23642, 23645, 23646, 23649, 23657, 23666, 23701a, 23701n, 23701s, 23703, 23704, 23731, 23735, 23736.3, 23736.4, 23737, 23771, 23772, 23774, 23775, 23777, 23800, 23801, 23802.5, 23803, 23804.5, 23806, 23811, 24273, 24273.5, 24275, 24276, 24306, 24307, 24308, 24322, 24324, 24343.3, 24343.5, 24343.7, 24344, 24344.5, 24344.7, 24345, 24346, 24347, 24347.5, 24348, 24349, 24351, 24354.1, 24355.5, 24356, 24356.5, 24356.6, 24356.7, 24356.8, 24357, 24357.2, 24357.7, 24357.9, 24358, 24360, 24361, 24362, 24363, 24364, 24377, 24383, 24402, 24404, 24409, 24410, 24415, 24416, 24416.2, 24416.4, 24416.5, 24416.6, 24424, 24425, 24434, 24436.1, 24436.5, 24438, 24442.5, 24448, 24602, 24611, 24631, 24632, 24633, 24633.5, 24634, 24636, 24637, 24654, 24667, 24673.2, 24674, 24675, 24676, 24676.5, 24677, 24678, 24685, 24690, 24692, 24710, 24871, 24871.5, 24872.4, 24872.5, 24872.7, 24905.5, 24916, 24918, 24943, 24944, 24945, 24946, 24949.1, 24952, 24954, 24955, 24956, 24990.4, 24990.7, 24994, 25101.3, 25105, 25108, 25110, 25111, 25111.1, 25112, 25124, 25129, 25131, 25132, 25134, and 25141.

Date Filed with the Secretary of the State: 09/29/2000

**SUBJECT:** Eliminate Reference to "Income Year" in the Income Tax Law

**Assembly Bill 1843 (Ackerman), as enacted on September 29, 2000, eliminates the term and concept of "income year" from the Personal Income Tax Law (PITL), the Administration of Franchise and Income Tax Laws and Regulations (AFITL) and the Bank and Corporation Tax Law (B&CTL).**

Bureau Director

Johnnie Lou Rosas

Date

October 24, 2000

This act declares legislative intent that the sole purpose of the act is to simplify the law by changing its terminology so that "income year" and "taxable year" have the same meaning for calendar and fiscal years beginning on or after January 1, 2000. Because of the change in terminology resulting from this act, for the first taxable year beginning on or after January 1, 2000, the term "taxable year" will have two meanings. First, it will refer to the year for which the tax measured by the income of the preceding income year beginning in 1999 is payable (returns for the income year 1999 that are due on or after March 15, 2000). Second, it also will refer to the next tax measurement period (returns for the first taxable year, as redefined, beginning on or after January 1, 2000, due on or after March 15, 2001).

This act also declares legislative intent that the actual amount of tax required to be paid and the timing of the payment will not change as a result of this act.

Specifically, this act made the following changes to California law:

Sections 17276 (chaptered out by Stats. 2000, Ch. 107), 17279.5, 18405, 18415, 18505 (chaptered out by Stats. 2000, Ch. 863), 18601, 18633.5 (chaptered out by Stats. 2000, Ch. 863), 18668, 19011, 19025, 19026, 19027, 19081, 19082, 19104 (chaptered out by Stats. 2000, Ch. 183), 19134, 19135, 19136, 19136.3, 19136.6, 19141.2, 19141.6, 19142, 19144, 19145, 19147, 19148, 19150, 19164, 19191, 19192, 19193, 19194, 19363, 19364, 19365, 19503, 19565, 21026, 23036, 23041, 23051.5, 23058, 23104, 23114, 23151.2, 23183.2, 23186, 23253, 23301, 23304.1, 23305.1, 23361, 23362, 23455, 23456, 23457, 23604, 23608, 23608.2 (chaptered out by Stats. 2000, Ch. AB 311), 23608.3, 23609 (chaptered out by Stats. 2000, Ch. 107), 23610, 23610.5 (chaptered out by Stats. 2000, Ch. 3), 23612.2, 23617, 23617.5, 23621, 23622.7, 23622.8 (chaptered out by Stats. 2000, Ch. 864 and Ch. 865), 23624, 23633, 23634, 23636, 23637, 23642, 23645, 23646 (chaptered out by Stats. 2000, Ch. 864), 23649, 23657, 23666, 23701a, 23701n (chaptered out by Stats. 2000, Ch. 252), 23701s (chaptered out by Stats. 2000, Ch. 252), 23703, 23704 (chaptered out by Stats. 2000, Ch. 252), 23731, 23735, 23736.3, 23736.4, 23737, 23771, 23772 (chaptered out by Stats. 2000, Ch. 252), 23774, 23775, 23777, 23800, 23801, 23802.5, 23803, 23804.5, 23806, 23811, 24273, 24273.5, 24275, 24276, 24306, 24307, 24308, 24322, 24324, 24343.3, 24343.5, 24343.7, 24344, 24344.5, 24344.7, 24345, 24346, 24347, 24347.5, 24348, 24349, 24351, 24354.1, 24355.5, 24356, 24356.5, 24356.6, 24356.7, 24356.8, 24357, 24357.2, 24357.7, 24357.9, 24358, 24360, 24361, 24362, 24363, 24364, 24377, 24383, 24402, 24404, 24409, 24410, 24415, 24416 (chaptered out by Stats. 2000, Ch. 107), 24416.2, 24416.4, 24416.5, 24416.6, 24424, 24425, 24434, 24436.1, 24436.5, 24438, 24442.5, 24448, 24602, 24611, 24632, 24633, 24633.5, 24634, 24636, 24637, 24654, 24667, 24673.2, 24674, 24675, 24676, 24676.5, 24677, 24678, 24685, 24690, 24692, 24710, 24871, 24871.5, 24872.4, 24872.5, 24872.7, 24905.5, 24916, 24918, 24943, 24944, 24945, 24946, 24949.1, 24952, 24954, 24955, 24956, 24990.4, 24990.7, 24994, 25101.3, 25105, 25108, 25110, 25111, 25111.1, 25112, 25124, 25129, 25131, 25132, 25134, and 25141 of the Revenue and Taxation Code are amended.

This act replaces references to "income year" with "taxable year."

The act also specifies that if any other act that amends one or more of the above sections is enacted, that act will prevail with respect to the sections contained in it and this act. Thus, any other acts enacted that contain one or more of the above code sections will chapter out amendments made to those sections by this act. Sections that were chaptered out are noted in bold.

Section 23041 of the Revenue and Taxation Code is amended.

This act specifies that to the extent a provision of law refers to a calendar or fiscal year beginning before January 1, 2000, the term "taxable year" means "income year" as defined under prior law wherever applicable.

Section 23042 of the Revenue and Taxation Code is amended.

This act amends the definition of income year to specify that for periods beginning prior to January 1, 2000, and the first taxable year beginning on or after January 1, 2000, the term "income year" means "income year" under prior law. For taxable years (other than the first taxable year) beginning on or after January 1, 2000, the term "income year" means "taxable year" as defined by Section 23041.

Section 23051.5 of the Revenue and Taxation Code is amended.

This act removes the substitution of "income year" for "taxable year" where it appears in the Internal Revenue Code. This act also replaces references to "income year" with "taxable year."

Section 23151 of the Revenue and Taxation Code is amended.

This act specifies that for taxable years beginning on or after January 1, 2000, the franchise tax, like the income tax, is computed based on the net income for the taxable year, instead of based on the net income of the preceding income year. For the first taxable year beginning on or after January 1, 2000, the franchise tax is computed on both the preceding income year and the current taxable year.

Section 23151.1 of the Revenue and Taxation Code is amended.

This act specifies that for taxable years beginning on or after January 1, 2000, (other than the first taxable year beginning on or after that date) the tax for the taxable year will be measured by net income for the current year rather than the preceding year. The tax for the taxable year of commencement and cessation shall also be measured by net income for the current year. This act also replaces references to "income year" with "taxable year."

Section 23153 of the Revenue and Taxation Code is amended.

This act adds an exception to the minimum franchise tax of \$800 for the first taxable year beginning on or after January 1, 2000. This act replaces references to "income year" with "taxable year." Since this act changes the measure of the tax from the "preceding income year" to the "taxable year," it also amended the law to refer only to the first taxable year, rather than the first and second taxable years.

Section 23181 of the Revenue and Taxation Code is amended.

This act specifies that for banks the franchise tax, like the income tax, is computed based on the net income for the taxable year, instead of based on the net income of the preceding income year. For the first taxable year beginning on or after January 1, 2000, the franchise tax is computed on both the preceding income year and the current taxable year.

Section 23183 of the Revenue and Taxation Code is amended.

This act specifies that for financial corporations the franchise tax, like the income tax, is computed based on the net income for the taxable year, instead of based on the net income of the preceding income year. For the first taxable year beginning on or after January 1, 2000, the franchise tax is computed on both the preceding income year and the current taxable year.

Section 23183.1 of the Revenue and Taxation Code is amended.

This act specifies that for taxable years beginning before January 1, 2000, tax will be measured by net income for the preceding income year. For taxable years beginning on or after January 1, 2000, (other than the first taxable year beginning on or after that date) the tax will be measured by net income for the current year.

Section 23281 of the Revenue and Taxation Code is amended.

This act specifies that prior law will apply for taxpayers that resume to do business in California prior to January 1, 2000. For a taxpayer that ceases to do business within California and does not dissolve or withdraw from the state during that year and does not resume doing business during the succeeding taxable year, its tax, when it resumes doing business on or after January 1, 2000, will be measured by net income for the year in which it resumes doing business. This act also replaces references to "income year" with "taxable year."

Section 23282 of the Revenue and Taxation Code is amended.

This act specifies that after December 31, 1999, the tax imposed on taxpayers that revive in any taxable year, other than the taxable year in which suspension or forfeiture occurred, will be computed on net income for the taxable year that it revives. The tax must be not less than the minimum franchise tax.

Section 24631 of the Revenue and Taxation Code is amended.

This act specifies that for taxable years beginning prior to January 1, 2000, income is computed on the taxpayer's income year. For taxable years beginning on or after January 1, 2000, (other than the first taxable year beginning on or after that date) income will be computed on the taxpayer's taxable year. For the first taxable year beginning on or after January 1, 2000, income will be computed on both the preceding income year and the current taxable year. This act specifies that "taxable year" is defined the same as "income year." This act also replaces references to "income year" with "taxable year."

This act is effective January 1, 2001 and applies to taxable years beginning on or after January 1, 2000.

This act will not require any reports by the department to the Legislature.